

DEPARTMENT OF CORPORATIONS
California's Investment and Financing Authority

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California Corporations Commissioner
Sacramento, California

NOTICE OF CHANGES TO THE
CALIFORNIA DEFERRED DEPOSIT TRANSACTION LAW

Assembly Bill 971 (Chapter 17, Stats. 2004), signed by Governor Schwarzenegger on February 20, 2004, extends the operative date of the California Deferred Deposit Transaction Law from March 1, 2004 to December 31, 2004. The bill also provides authority to the Governor to change the operative date to an earlier date by Executive Order. The Department of Justice will continue to maintain jurisdiction over deferred deposit transactions until the operative date of the law (December 31, 2004).

Under this legislation, permits issued by the Department of Justice to engage in the business of deferred deposit transactions with an expiration date of February 29, 2004 are automatically extended through December 31, 2004. New applicants seeking to engage in the business of deferred deposit transactions before December 31, 2004 must apply for a permit from the Department of Justice. Anyone intending to engage in the business of deferred deposit transactions on or after December 31, 2004 must apply to the Department of Corporations for a license.

Applicants and interested parties are encouraged to review the Department of Corporations' Web site at www.corp.ca.gov on a continuous basis for further updates. A list of frequently asked questions regarding the impact of Assembly Bill 971 on the Deferred Deposit Transaction Law is provided below.

Frequently Asked Questions

- 1. My permit with the Department of Justice to engage in the business of deferred deposit transactions expires on February 29, 2004. I submitted my application to the Department of Corporations, but have not yet received the license. What do I need to do as of March 1, 2004 if my permit from the Department of Justice has expired and I have not received a license from the Department of Corporations?**

Answer:

Permits issued by the Department of Justice that expire on February 29, 2004 have been extended through December 31, 2004, without additional fees or applications. The

Department of Justice will be sending out letters to existing permit holders with the new expiration date of the permits.

Assembly Bill 971 (Chapter 17, Stats. 2004) extends the transfer of regulatory responsibility for the business of deferred deposit transactions from the Department of Justice to the Department of Corporations from March 1, 2004 to December 31, 2004 (or earlier if the Governor changes the operative date by Executive Order).

- 2. I am planning to engage in the business of a deferred deposit originator. I currently do not have any license or permit. Where do I obtain the permits or licenses to engage in this business?**

Answer:

In order to engage in the business of deferred deposit transactions between now and December 31, 2004, you will need to obtain a permit from the Department of Justice. You may contact the Department of Justice for a permit application at (916) 227-3250 or obtain application packets at 4949 Broadway, Sacramento, California 95820.

If you wish to continue the business of deferred deposit transactions on or after December 31, 2004 (or earlier if the Governor changes the operative date by Executive Order), you will need to have a license from the Department of Corporations.

- 3. Where can I obtain the application from the Department of Corporations?**

Answer:

The application forms are available through the Department of Corporations' Web site at www.corp.ca.gov, by contacting the Department at 1-866-ASK-CORP (1-866-275-2677) or at any of the Department's office locations:

320 W. 4th Street, Suite 750 Los Angeles, CA 90013

1390 Market Street, 8th Floor San Francisco, CA 94102

1515 K Street, Suite 200 Sacramento, CA 95814

1350 Front Street, Room 2034 San Diego, CA 92101

4. When do I need to file the application for a deferred deposit originator's license with the Department of Corporations?

Answer:

Prior to engaging in the business of deferred deposit transactions on or after December 31, 2004, all persons must submit an application packet (with the appropriate forms, fees and assessments) and obtain a license from the Department of Corporations.

Applications are processed by the Department of Corporations in the order they are received. Applicants seeking to have their license by December 31, 2004 should file their applications no later than October 1, 2004 so that the Department can have sufficient time to process the applications. Please note these dates are subject to change if the Governor changes the operative date to an earlier date by Executive Order.

You may also refer to the Application Information sheet located on the Department's Web site at www.corp.ca.gov/pdf/cddtlappinfo.pdf.

5. What happens if the operative date is changed by Executive Order?

Answer:

The Governor may change the operative date to an earlier date by Executive Order. The issuance of the Executive Order would be a minimum of 30 days before the new operative date. All applicants are encouraged to visit the Department of Corporations' Web site at www.corp.ca.gov for further updates.

6. What should I do about the surety bond that is required to complete my license application with the Department of Corporations?

Answer:

If you already obtained a surety bond with an effective date of March 1, 2004, you may want to contact your insurance company to change the effective date of the bond from March 1, 2004 to the operative date of the Deferred Deposit Transaction Law, currently December 31, 2004. The operative date may be changed to an earlier date by Executive Order of the Governor. You may want to ask your insurance company if it will issue a rider to the bond to change the effective date.

If a rider is issued, you will need to submit a copy to the Department of Corporations. If you have not yet obtained a surety bond, you may wish to notify your insurance company that the effective date of the bond should be the date you wish to begin conducting business, but it is not currently required any earlier than December 31, 2004 (unless the operative date is changed to an earlier date by Executive Order of the Governor).

Applicants are encouraged to submit a copy of the bond with their application packet. Refer to Question Number 4 regarding the applicable time frame for processing applications. Please note that there may be a delay in the issuance of a license if a copy of the bond is not provided within a sufficient amount of time to process.

7. **I prepared the notices and agreements to comply with the Department of Corporations requirements under Financial Code Sections 23027 and 23035. Can I start using the notice and agreements that comply with the Department of Corporation's requirements now or do I need to wait until December 31, 2004?**

Answer:

Any questions or concerns regarding the requirements for deferred deposit transactions conducted before December 31, 2004, should be directed to the Department of Justice at (916) 227-3250. Please note that notices and agreements may not represent that you are licensed by the Department of Corporations or include the Department's toll-free number for consumers to file complaints prior to December 31, 2004.

As of December 31, 2004, everyone engaging in the business of deferred deposit transactions must be licensed by the Department of Corporations and will need to comply with the forms and notice requirements of the California Deferred Deposit Transaction Law (Financial Code Section 23000 et. seq.).

8. **I submitted my application with the appropriate fees and assessment to the Department of Corporations prior to March 1, 2004. Will I need to pay any additional fees or assessments to the Department of Corporations between March 1, 2004 and December 31, 2004?**

Answer:

Further fees or assessments are not anticipated between March 1, 2004 and December 31, 2004.

This notice and frequently asked questions are provided as general information and are not to be construed as an interpretation of the California Deferred Deposit Transaction Law (commencing with Section 23000 of the California Financial Code). Those persons seeking legal advice may consult private legal counsel of their choosing.

For further questions, you may contact:

Department of Corporations **1-866-ASK-CORP (1-866-275-2677)**

Department of Justice **(916) 227-3250**